
CHAPTER 8

International Activities

Secretary Signs New Maritime Pact with Russia

On June 20, 2001, the Secretary of Transportation and his Russian counterpart signed a new bilateral maritime agreement in St. Petersburg. The formal signing of the agreement capped almost a year of negotiating efforts by the Maritime Administration (MARAD) with the Ministry of Transport, including formal talks in Moscow in December 2000. The new agreement re-establishes a formal basis for maritime relations between the United States and Russia that dates back to 1972, when the first such agreement was signed with the former Soviet Union. The most recent previous agreement, which was signed in 1990, was converted in 1993 from an accord between the United States and the Soviet Union into one between the United States and Russia. It includes provisions on crew visas, tonnage duties, and a consultation mechanism for addressing concerns of either side. The term of the new agreement is five years, with automatic one-year extensions thereafter.

United States and Russian maritime and exporting companies will benefit from the new maritime agreement, as will ports in both countries. Several U.S. companies have substantial investments in Russia's transportation infrastructure, including Russia's ports. Russia's ports provide important gateways to a vast transportation network extending across Europe and parts of the Far East.

NATO Planning Board for Ocean Shipping (PBOS) Participation

MARAD continues to serve as the focal point for the U.S. participation in the work and activities of the North Atlantic Treaty Organization (NATO) Planning Board for Ocean Shipping (PBOS), which is responsible for developing and maintaining plans for civil shipping support to NATO in crisis and war. MARAD represents the United States through participation in PBOS meetings and events to enhance readiness planning in support of NATO, including exercises and training events for civilian shipping experts. MARAD representatives hold the PBOS chairmanship, and maintain the PBOS Secretariat, which conducts the everyday work of the Planning Board. It also provides advice to the NATO military authorities on sealift matters relevant to the planning and execution of NATO military deployments.

Opening Ports in Japan Still a Concern

MARAD, working with other U.S. agencies, continued its efforts to get Japan to fully implement the commitments to liberalize its port service policy that Japan had made in a bilateral agreement in 1997. On November 1, 2000, Japan began apply-

ing its amended Port Transportation Business Law. By the end of FY 2001, it was clear that the revised law had not removed barriers to market entry by foreign maritime companies that the U.S. Government has sought during four years of bilateral negotiations. The new port law has not deregulated the port sector, but has actually increased the restrictions on foreign companies seeking to enter the Japanese maritime market. As in the past, the port operations of foreign-liner carriers remained subject to the dictates of the Japan Harbor Transport Association, and have remained heavily regulated by the Ministry of Land, Infrastructure and Transport.

Contacts with China

During fiscal year 2001, MARAD continued its efforts to open China's restrictive maritime sector. The Maritime Administrator raised U.S. concerns about Chinese maritime barriers during former Secretary Rodney Slater's meeting with the Chinese Minister of Communications in Washington in October 2000. In December 2000, the two sides pursued informal contacts to ascertain whether there was a basis for resuming formal negotiations on a new maritime agreement that would eliminate the impediments that China imposes on U.S. maritime companies. These contacts were ultimately unproductive, and the change of administrations took place in the United States with the outstanding issues unresolved. Since taking office, Secretary Norman Mineta has stated that the Bush Administration will seek removal of China's maritime restrictions.

Organization for Economic Cooperation and Development (OECD)

MARAD participated in the U.S. delegation to the January 2001 meeting of the OECD's Maritime Transport Committee (MTC), which discussed a number of international shipping policy issues. These included intermodal transport logistics, support measures to shipping, costs of substandard shipping, and regulatory reform in maritime transport. At the conclusion of the meeting, MARAD's Associate Administrator for Policy and International Trade was elected as the Committee's next Chairman.

The MTC meeting was followed by a Workshop on Cargo Liability Regimes, which helped to clarify issues and narrow differences in the views of the Government and industry participants. The Workshop report was provided to a number of other groups that also considered cargo liability issues throughout the year. In September 2001, key shipper and carrier associations in the United States reached agreement on common objectives for international cargo liability reform.

MARAD also participated in the U.S. delegation to a December 2000 meeting of the OECD's Council Working Party on Shipbuilding. Following the meeting, MARAD continued to provide advice and assistance to the Office of the U.S. Trade Representative on shipbuilding policy.

Maritime Services in the World Trade Organization (WTO) and Free Trade Negotiations

The latest maritime transport negotiations in the WTO were suspended on June 30, 1996, and the United States made no commitments. During the fiscal year, a consensus had not emerged on an agenda for a new round of negotiations. A meeting of trade ministers in November 1999 failed to launch a new round; however, it was agreed that a further meeting of trade ministers would be held in November 2001, in Doha, Qatar. In the interim period, work continued on launching the new round, which included coordinating member countries' positions on how to organize services sector negotiations. Several proposals were presented on maritime transport services. MARAD staff has actively participated in these preparations.

Under the terms of the 1996 Decision to Conclude the Negotiations in maritime transport services, the principle of most-favored-nation treatment was suspended until the start of the next comprehensive services negotiating round, but would apply immediately to countries making commitments. A "peace

clause," identical to the earlier one that applied to the extended negotiations, was adopted and will apply until the conclusion of the future services negotiation. This means that no country participating in these negotiations will take actions to improve its negotiating position in the maritime sector from now until the end of the next round, which may extend three years or longer.

The U.S. maritime industry's consistently strong opposition to coverage of maritime services by the WTO reflects several salient circumstances. The United States maintains a high level of liberalization (including transparency) in its maritime sector, and over 97 percent of U.S. foreign waterborne trade is carried on foreign-flag vessels. The comparatively low level of support that the United States maintains in the maritime sector--in particular, the Maritime Security Program (MSP) and cargo preference--are necessary to help assure availability of national flag tonnage for the support of U.S. military operations abroad.

MARAD also monitored and gave advice to the U.S. Trade Representative on a number of regional and bilateral trade agreement negotiations. These included the Free Trade Agreement of the Americas and Free Trade Agreements with Chile and Singapore. MARAD's assistance included providing updates on U.S. maritime laws and regulations; our chief objective was to ensure that these statutes are not adversely affected by the agreements.